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Tax Compliance Update

Paid parental leave scheme

The Government's Paid Parental Leave scheme started on 1 January 2011. Employees with a child born or adopted on or after 1 January 2011 can take 18 weeks of paid parental leave at the national minimum wage, which is currently $570 a week before tax.

Full-time, part-time, casual, seasonal, contract and self-employed workers may be eligible.

From 1 July 2011, employers must provide parental leave pay to their eligible employees who have been with their business for at least 12 months before the expected date of birth or adoption of their child.

The FAO will provide employers with funds to pay parental leave to their employees. They will also contact employers to start this process.

Employers just have to provide the parental leave pay to their employee with the usual tax deducted.

Employers will not need to make super contributions on parental leave pay. Also, it will not increase employers':

- payroll tax liabilities; or
- workers compensation premium liabilities.

ATO helps full-time students claim study deductions

The ATO has accepted that the High Court decision in the case of *Anstis* means that taxpayers may be eligible to claim a deduction for their study expenses if they received youth allowance to study full-time.

Tax Commissioner Michael D'Ascenzo said that the ATO will amend tax assessments of eligible taxpayers to include a tax deduction for study expenses for the 2007, 2008, 2009 and 2010 income years.

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“We will issue amended assessments to include a deduction of $550 for each year you are eligible. These deductions represent amounts that people who receive youth allowance would reasonably have incurred.”

Where students believe they have incurred expenses of more than $800 (the first $250 of education expenses is not deductible), they can seek an amendment for that higher amount, if they have records to support their claim.

Changes to Trust Laws

The Assistant Treasurer has announced that the Government will update Australia's trust taxation laws as a result of the recent High Court decision in the case of *Bamford*, which highlighted ongoing discrepancies between the treatment of trust income by trust laws, on the one hand, and by the tax system on the other.

A public consultation process will be the first step towards updating the trust income tax provisions and any options will seek to ensure that net taxable income of a trust is assessed primarily to beneficiaries.

The options will not include the taxation of trusts as companies, which would be a major departure from the current law.

Changes for farmers with trusts

The Government also announced that it plans to introduce amendments before 30 June 2011 so that beneficiaries of trusts carrying on primary production activities can continue to use the primary production averaging and farm management deposits provisions in a loss year.